

## Message Text

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PAGE 01 KUWAIT 04610 200631Z  
ACTION COME-00

INFO OCT-01 NEA-10 ISO-00 EB-08 /019 W  
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UNCLAS KUWAIT 4610

DEPT FOR NEA/ARP

E.O. 11652: N/A  
TAGS: BEXP, KU  
SUBJ: EXPORT MARKET DEVELOPMENT FOR AMERICAN FURNITURE INDUSTRY

REF: (A) STATE 201414, (B) DOHA 1164

1. SUMMARY. DISCUSSIONS WITH MAJOR KUWAITI FURNITURE (RESIDENTIAL AND OFFICE) IMPORTERS REVEALED SIMULTANEOUSLY A DEEP INTEREST IN U.S. FURNITURE PRODUCTS AND A CHORUS OF COMPLAINTS ABOUT A) THE NON-RESPONSIVENESS OF AMERICAN FIRMS WITH WHOM THEY HAVE ATTEMPTED TO INITIATE CORRESPONDENCE, B) HIGH PRICES, AND C) LACK OF PROMOTIONAL SUPPORT. A 28 MILLION DOLLAR PLUS MARKET-IN WHICH THE U.S. HAS A MARKET SHARE OF ONE PERCENT--KUWAIT PRESENTS DEFINITE MARKET PROSPECTS THAT U.S. FIRMS CAN EXPLOIT TO THEIR ADVANTAGE. A GULF-WIDE ADVERTISING CAMPAIGN FOLLOWED UP BY A CONCERTED SALES EFFORT, BOTH IN THE FORM OF INDIVIDUAL BUSINESS VISITORS AND AN IOGA, WOULD BE THE MOST EFFECTIVE PROMOTIONAL VEHICLE FOR EXPANDING U.S. EXPORTS IN THIS PRODUCT LINE. END SUMMARY.

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PAGE 02 KUWAIT 04610 200631Z

2. COMMERCIAL OFFICER MET WITH MAJOR OFFICE AND RESIDENTIAL FURNITURE IMPORTERS TO THE KUWAIT MARKET AND GATHERED THE FOLLOWING REACTIONS.

A. HAVING NO QUIBBLES ABOUT THE PRODUCT QUALITY AND DOWNPLAYING THE PRICE IMPACT OF THE FREIGHT DIFFERENCE BETWEEN U.S. AND EUROPE (WHICH THESE FIRMS ESTIMATED ADDED ONLY 2 TO 3

PERCENT TO THEIR LANDED COSTS), THE IMPORTERS CONSISTENTLY POINTED TO U.S. PRICES WHICH RANGED 20 TO 100 PERCENT HIGHT THAN THOSE QUOTED BY FRENCH AND ITALIAN SUPPLIERS. FOR EXAMPLE, IN A TENDER FOR SUPPLYING THE FURNISHINGS FOR TWO NEW MILITARY BASES, THE ONE U.S. FIRM THAT BID QUOTED \$4 MILLION, WHILE A FRENCH FIRM, MEETING THE SAME SPECIFICATIONS, BID \$2.5 MILLION. SIMILARLY, ON A TENDER FOR FURNISHING THE KUWAIT INTER-NATIONAL AIRPORT, THE SOLE U.S. FIRM BID \$1.9 MILLION, WHILE A FRENCH FIRM BID \$0.85 MILLION. THE IMPORTERS COMPLAINED THAT U.S. FIRMS SEEMED TO REGARD THE KUWAIT MARKET AS A ONE SHOT AFFAIR WHERE SUBSTANTIAL ONE-TIME PROFITS AND NOT CONTINUED MARKET PRESENCE IS THE OBJECTIVE.

B. THE SHEAVES OF UNANSWERED CORRESPONDENCE AND TELEXES SHOWN EMBOFF BUTTRESSED THE IMPORTERS' CONTENTION THAT THAT U.S. FURNITURE SUPPLIERS ARE NOT RESPONSIBLE TO THEIR INQUIRIES.

C. THE IMPORTERS ECHOED THE COMPLAINT NOTED IN REF B THAT U.S. MANUFACTURERS AND SUPPLIERS REFUSE TO SUPPORT THE NECESSARY PROMOTIONAL EFFORTS NEEDED TO ALTER LOCAL TASTES AND LEAD THEM AWAY FROM CURRENT PREFERENCE FOR ONLY FRENCH AND ITALIAN DESIGNS.

3. IN 1976 (THE LAST YEAR FOR WHICH WE HAVE RELIABLE TRADE STATISTICS), KUWAIT IMPORTED OVER \$28 MILLION WORTH OF RESIDENTIAL AND OFFICE FURNITURE. THE TOTAL U.S. MARKET SHARE WAS FRACTIONALLY ABOVE ONE PERCENT. IMPROVEMENTS IN MARKET UNCLASSIFIED

UNCLASSIFIED

PAGE 03 KUWAIT 04610 200631Z

SHARE CAN BE ATTAINED, IF U.S. FIRMS ARE WILLING TO COMPETE IN TERMS OF PRICE AND PROMOTIONAL ACTIVITY.

4. COMMENT: IN THE FACE OF WELL-ENTRENCHED SUPPLIERS SETTING THE MARKET TASTES, A CONCERTED ADVERTISING CAMPAIGN IS NECESSARY TO INTRODUCE AND CREATE DEMAND FOR U.S. DESIGNS. WE AGREE WITH EMBASSY DOHA THAT A TELEVISION ADVERTISING CAMPAIGN IN ARABIC WOULD BE THE MOST COST EFFECTIVE MEANS OF GETTING THE MESSAGE ACROSS TO BUY AMERICAN. SUCH A CAMPAIGN MUST BE FOLLOWED UP BY BOTH INDIVIDUAL BUSINESS VISITORS (WITH EMBASSY ASSISTANCE) AND IOGA SALES TEAM. GIVEN THE RELATIVELY SMALL NUMBER OF IMPORTERS AND THE EASE WITH WHICH THEY CAN BE APPROACHED WITH EMBASSY ASSISTANCE, WE HESITATE TO SUGGEST A FULL-FLEDGED TRADE MISSION. HOWEVER, IF A GROUP OF NEW-TO-MARKET FIRMS CAN BE RECRUITED THAT HAVE DEFINITELY MARKETABLE OFFICE AND RESIDENTIAL FURNITURE LINES, WE WILL PROVIDE FULL ASSISTANCE TO THEIR EFFORTS. MAESTRONE

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Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014